

ANDERSON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2008

**ANDERSON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2008**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9-10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11-12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14-15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	21

**ANDERSON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

Notes to the Basic Financial Statements.....	22-36
Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Combining Balance Sheet for Capital Projects	41
Combining Income Statement for Capital Projects.....	42
Schedule of Receipts, Disbursements and Fund Balances – Activity Funds	43-46
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	
	47-48
Schedule of Findings and Questioned Costs.....	49-52
Schedule of Prior Year Audit Findings	53-54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	
	55-56
Management Letter Comments	57-59

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - PO Box 70 - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky 40342

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units, and the remaining fund information of Anderson County School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Anderson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirement, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and aggregate discretely presented component units, and remaining fund information of the Anderson County School District, as of June 30, 2008, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2008, on our consideration of the Anderson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson County School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Anderson County School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brown & Company CPA's

Bardstown, Kentucky
November 12, 2008

**ANDERSON COUNTY SCHOOL DISTRICT –LAWRENCEBURG, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

As management of the Anderson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning balance for cash and cash equivalents July 1, 2007 was \$15,765,627
- The General Fund revenue net of prior year ending fund balance was \$23,885,601 which was primarily comprised of the state formula (SEEK) and property, motor vehicle and utility taxes. General Fund expenditures were \$23,582,027
- General Fund operating revenues in excess of expenditures were \$303,574.
- The board continued to maintain a scheduled bus fleet rotation by approving the purchase of three (3) new buses. Total cost of the new buses was \$227,261.
- The board approved certified and classified salary schedules that reflected an average increase of 1% plus step increase.
- Bonds are issued as the district constructs or renovates facilities consistent with a long-range facilities plan. This plan is established by the district Long-range Planning Committee (LPC) in accordance with the Kentucky Department of Education (KDE) stringent compliance regulations. The LPC convened several times during the 2006-2007 school year and completed a revised long-range facilities plan.
- Construction continued on a new elementary school that will replace the aging Emma B. Ward Elementary. The construction was completed at the beginning of the 2008-2009 year at a total projected cost of \$14,580,676. The project is financed primarily by local bonding in addition to state bonding and local restricted cash.
- A new central office/training center was completed in 2007-2008. The total cost of the project was \$3,226,978, financed by local bonding in addition to restricted state cash.
- District bonding potential at the end of the fiscal year 2008-2009 is approximately \$9.3 million.

**ANDERSON COUNTY SCHOOL DISTRICT – LAWRENCEBURG, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The government –wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The government-wide financial statements can be found on pages 8 - 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our vending and food service operations and our before and after school child care services. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15.317 million as of June 30, 2008.

**ANDERSON COUNTY SCHOOL DISTRICT – LAWRENCEBURG, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	Net Assets for the period ending June 30, 2008 & 2007					
	Governmental activities		Business type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$7,100,480.82	\$16,303,155.35	\$327,980.88	\$369,084.21	\$7,428,461.70	\$16,672,239.56
Capital Assets	54,826,063.66	48,020,412.93	125,329.33	150,578.07	54,951,392.99	48,170,991.00
Total Assets	\$61,926,544.48	\$64,323,568.28	\$453,310.21	\$519,662.28	\$62,379,854.69	\$64,843,230.56
Long-term liabilities outstanding	\$43,454,772.04	\$45,877,419.78	\$-	\$-	\$43,454,772.04	\$45,877,419.78
Other liabilities	3,590,044.85	5,356,022.76	6,046.62	3,379.80	3,596,091.47	5,359,402.56
Total liabilities	\$47,044,816.89	\$51,233,442.54	\$6,046.62	\$3,379.80	\$47,050,863.51	\$51,236,822.34
Net assets:						
Invested in capital assets, net of related debt	\$9,681,063.66	\$1,085,412.93	\$125,329.33	\$150,578.07	\$9,806,392.99	\$1,235,991.00
Restricted	50,000.00	9,444,612.37	-	-	50,000.00	9,444,612.37
Unrestricted	5,150,663.93	2,560,100.44	321,934.26	365,704.41	5,472,598.19	2,925,804.85
Total Net Assets	\$14,881,727.59	\$13,090,125.74	\$447,263.59	\$516,282.48	\$15,328,991.18	\$13,606,408.22

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2008, net of Interfund transfers were \$25,249,091.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$4,271,594 more than budget.

**ANDERSON COUNTY SCHOOL DISTRICT – LAWRENCEBURG, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2008 and 2007.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Program						
Revenues:						
Charges for services	\$ 67,640.42	\$ 90,688.76	\$1,265,054.33	\$1,133,168.54	\$ 1,332,694.75	\$,223,857.30
Operating grants and contributions	43,225.27	5,264,990.08	-	755,858.00	43,225.27	6,020,848.08
Capital grants and contributions	-	352,060.00	-	-	-	352,060.00
General Revenues						
Taxes						
Property Taxes	\$7,075,674.06	\$6,795,428.71	\$ -	\$ -	\$ 7,075,674.06	\$6,795,428.71
Motor Vehicle Taxes	681,300.90	734,203.71			681,300.90	734,203.71
Utility Taxes	1,127,054.94	1,089,634.66			1,127,054.94	1,089,634.66
Investment Earnings	692,909.80	808,323.31	10,374.06	9,848.79	703,283.86	818,172.10
State & Formula Grants	24,438,206.06	16,707,313.29	700,740.41	94,746.00	25,138,946.47	16,802,059.29
Gains On Sales of Fixed Assets	-	8,641.55	-	-	-	8,641.55
Miscellaneous	306,234.24	136,777.07	-	830.00	306,234.24	137,607.07
Total Revenues	\$34,432,245.69	\$31,988,061.14	\$1,976,168.80	\$1,994,451.33	\$36,408,414.49	\$33,982,512.47
Expenses						
Program activities:						
Instruction	\$20,367,613.56	\$18,926,252.22	\$ -	\$ -	\$ 20,367,613.56	\$18,926,252.22
Student Support	467,803.98	552,791.53	-	-	467,803.98	552,791.53
Instructional staff support	1,690,453.47	1,616,425.48	-	-	1,690,453.47	1,616,425.48
District admin support	862,109.10	859,953.31	-	-	862,109.10	859,953.31
School admin support	1,590,110.16	1,444,299.22	-	-	1,590,110.16	1,444,299.22
Business support	424,531.21	366,485.90	-	-	424,531.21	366,485.90
Plant operation and maint.	2,229,601.04	2,169,980.58	-	-	2,229,601.04	2,169,980.58
Student transportation	1,870,485.56	1,882,770.83	-	-	1,870,485.56	1,882,770.83
Facilities acquisition and construction	-	-	-	-	-	-
Community service activities	219,140.16	257,182.00	-	-	219,140.16	257,182.00
Interest on Long-Term debt	1,834,663.00	1,356,437.65	-	-	1,834,663.00	1,356,437.65
Depreciation	1,065,154.87	1,189,881.43	-	-	1,065,154.87	1,189,881.43
Other	7,481.64	90,787.97	-	-	7,481.64	90,787.97
Food Service	11,496.09	15,170.98	-	-	11,496.09	15,170.98
Business-type activities:						
Food Service	-	-	1,531,360.17	1,635,297.92	1,531,360.17	1,635,297.92
Child Care	-	-	382,140.05	365,846.23	382,140.05	365,846.23
Preschool	-	-	131,687.47	-	131,687.47	365,846.23
Total Expenses	\$32,640,643.84	\$30,728,419.10	\$2,045,187.69	\$2,001,144.15	\$34,685,831.53	\$32,729,563.25
Increase (Decrease) in Net Assets	1,791,601.85	1,259,642.04	(69,018.89)	(6,692.82)	1,722,582.96	1,252,949.22
Net assets- Beginning	13,090,125.74	11,830,483.70	516,282.48	522,975.30	13,606,408.22	12,359,726.61
Net assets - Ending	\$14,881,727.59	\$13,090,125.74	\$447,263.59	\$516,282.48	\$15,328,991.18	\$13,606,408.22

**ANDERSON COUNTY SCHOOL DISTRICT – LAWRENCEBURG, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$2,707,367 in contingency, APPROXIMATELY (8.1%).

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 38 of this report.

ADDITIONAL CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Nick Clark, Anderson County School District Finance Officer, 1160 Bypass North, Lawrenceburg, Kentucky, 40342, (502) 839-3406.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets	Governmental Activities	Business Type Activities	Total
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 5,647,096.50	\$ 278,679.21	\$ 5,925,775.71
Inventory	-	41,267.12	41,267.12
Accounts Receivable	1,453,384.32	8,034.55	1,461,418.87
Investments	-	-	-
Total Current Assets	\$ 7,100,480.82	\$ 327,980.88	\$ 7,428,461.70
<u>Noncurrent Assets</u>			
Capital Assets	\$ 56,439,250.02	\$ 771,974.00	\$ 57,211,224.02
Accumulated Depreciation	(15,671,633.26)	(646,644.67)	(16,318,277.93)
Construction In Progress	14,058,446.90	-	14,058,446.90
Total Noncurrent Assets	\$ 54,826,063.66	\$ 125,329.33	\$ 54,951,392.99
Total Assets	<u>\$ 61,926,544.48</u>	<u>\$ 453,310.21</u>	<u>\$ 62,379,854.69</u>
Liabilities & Net Assets			
<u>Current Liabilities</u>			
Accounts Payable	\$ 662,933.83	\$ 6,046.62	\$ 668,980.45
Deferred Revenue	748,920.13	-	748,920.13
Current Portion Of Bond Obligations	1,850,000.00	-	1,850,000.00
Current Portion Of Accrued Sick Leave	328,190.89	-	328,190.89
Total Current Liabilities	\$ 3,590,044.85	\$ 6,046.62	\$ 3,596,091.47
<u>Noncurrent Liabilities</u>			
Noncurrent Portion Of Bond Obligations	\$ 43,295,000.00	\$ -	\$ 43,295,000.00
Noncurrent Portion Of Accrued Sick Leave	159,772.04	-	159,772.04
Total Noncurrent Liabilities	\$ 43,454,772.04	\$ -	\$ 43,454,772.04
Total Liabilities	<u>\$ 47,044,816.89</u>	<u>\$ 6,046.62</u>	<u>\$ 47,050,863.51</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net Of Related Debt	\$ 9,681,063.66	\$ 125,329.33	\$ 9,806,392.99
Restricted For:			
Construction	-	-	-
Future Use	50,000.00		50,000.00
Unrestricted	5,150,663.93	321,934.26	5,472,598.19
Total Net Assets	<u>\$ 14,881,727.59</u>	<u>\$ 447,263.59</u>	<u>\$ 15,328,991.18</u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental Activities:				
Instruction	\$ 20,367,613.56	\$ 39,566.42	\$ 43,225.27	\$ -
Support Services:				
Student	467,803.98	-	-	-
Instruction Staff	1,690,453.47	-	-	-
District Administration	862,109.10	-	-	-
School Administration	1,590,110.16	-	-	-
Business	424,531.21	-	-	-
Plant Operation & Maintenance	2,229,601.04	-	-	-
Student Transportation	1,870,485.56	28,074.00	-	-
Food Service	11,496.09	-	-	-
Facilities Acquisition & Construction	-	-	-	-
Community Service Activities	219,140.16	-	-	-
Other	7,481.64	-	-	-
Interest On Long-Term Debt	1,834,663.00	-	-	-
Depreciation	1,065,154.87	-	-	-
Total Governmental Activities	\$ 32,640,643.84	\$ 67,640.42	\$ 43,225.27	\$ -
Business Type Activities:				
Food Service	\$ 1,531,360.17	\$ 794,957.39	\$ -	\$ -
Child Care	382,140.05	382,958.94	-	-
Pre School	131,687.47	87,138.00	-	-
Total Business Type Activities	\$ 2,045,187.69	\$ 1,265,054.33	\$ -	\$ -
Total Primary Government	\$ 34,685,831.53	\$ 1,332,694.75	\$ 43,225.27	\$ -

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

**Net (Expense) Revenue And
Changes In Net Assets**

Governmental Activities	Business Type Activities	Total
\$(20,284,821.87)	\$ -	\$(20,284,821.87)
(467,803.98)	-	(467,803.98)
(1,690,453.47)	-	(1,690,453.47)
(862,109.10)	-	(862,109.10)
(1,590,110.16)	-	(1,590,110.16)
(424,531.21)	-	(424,531.21)
(2,229,601.04)	-	(2,229,601.04)
(1,842,411.56)	-	(1,842,411.56)
(11,496.09)	-	(11,496.09)
-	-	-
(219,140.16)	-	(219,140.16)
(7,481.64)	-	(7,481.64)
(1,834,663.00)	-	(1,834,663.00)
(1,065,154.87)	-	(1,065,154.87)
\$(32,529,778.15)	\$ -	\$(32,529,778.15)
\$ -	\$ (736,402.78)	\$ (736,402.78)
-	818.89	818.89
-	(44,549.47)	(44,549.47)
\$ -	\$ (780,133.36)	\$ (780,133.36)
\$(32,529,778.15)	\$ (780,133.36)	\$(33,309,911.51)

General Revenues:

Taxes:			
Property Taxes	\$ 7,075,674.06	\$ -	\$ 7,075,674.06
Motor Vehicles Taxes	681,300.90	-	681,300.90
Utility Taxes	1,127,054.94	-	1,127,054.94
Investment Earnings	692,909.80	10,374.06	703,283.86
State & Formula Grants	24,438,206.06	700,740.41	25,138,946.47
Gains On Sales Of Fixed Assets	-	-	-
Miscellaneous	306,234.24	-	306,234.24
Change In Net Assets	\$ 1,791,601.85	\$ (69,018.89)	\$ 1,722,582.96
Net Assets - Beginning	\$ 13,090,125.74	\$ 516,282.48	\$ 13,606,408.22
Net Assets - Ending	\$ 14,881,727.59	\$ 447,263.59	\$ 15,328,991.18

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue</u>
Assets & Resources:		
Cash & Cash Equivalents	\$3,764,560.69	\$(553,021.45)
Accounts Receivable	56,953.65	1,392,726.67
Investments	<u>-</u>	<u>-</u>
Total Assets & Resources	<u><u>\$3,821,514.34</u></u>	<u><u>\$ 839,705.22</u></u>
 Liabilities & Fund Balances:		
Liabilities		
Accounts Payable	\$ 559,399.32	\$ 90,785.09
Deferred Revenue	<u>-</u>	<u>748,920.13</u>
Total Liabilities	\$ 559,399.32	\$ 839,705.22
 Fund Balances:		
Reserved:		
Reserved For Future Use	\$ 50,000.00	\$ -
Unreserved:		
Undesignated, reported in:		
General Fund	\$3,212,115.02	\$ -
Special Revenue Funds	-	-
Capital Projects Funds	-	-
Permanent Funds	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>\$3,262,115.02</u></u>	<u><u>\$ -</u></u>
Total Liabilities & Fund Balances	<u><u>\$3,821,514.34</u></u>	<u><u>\$ 839,705.22</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,245,237.58	\$ 190,319.68	\$ 5,647,096.50
-	3,704.00	1,453,384.32
-	-	-
<u>\$ 2,245,237.58</u>	<u>\$ 194,023.68</u>	<u>\$ 7,100,480.82</u>
\$ 5,003.38	\$ 7,746.04	\$ 662,933.83
-	-	748,920.13
<u>\$ 5,003.38</u>	<u>\$ 7,746.04</u>	<u>\$ 1,411,853.96</u>
\$ 2,240,234.20	\$ 186,277.64	\$ 2,476,511.84
\$ -	\$ -	\$ 3,212,115.02
-	-	-
-	-	-
-	-	-
<u>\$ 2,240,234.20</u>	<u>\$ 186,277.64</u>	<u>\$ 5,688,626.86</u>
<u>\$ 2,245,237.58</u>	<u>\$ 194,023.68</u>	<u>\$ 7,100,480.82</u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balance per fund financial statements	\$ 5,688,626.86
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	40,767,616.76
Certain long-term assets are not reported in this fund financial statements because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	14,058,446.90
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(45,632,962.93)</u>
Net assets for governmental activities	<u><u>\$ 14,881,727.59</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue</u>
Revenues:		
From local sources		
Taxes		
Property	\$ 4,890,540.06	\$ -
Motor Vehicle	681,300.90	-
Utilities	1,127,054.94	-
Tuition And Fees	-	17,566.42
Earnings On Investments	341,130.40	-
Other Local Revenues	103,729.41	95,408.04
Intergovernmental - Intermediate		-
Intergovernmental - State	18,105,335.82	2,428,911.95
Intergovernmental - Indirect Federal	-	1,896,554.46
Intergovernmental - Direct Federal	-	23,903.83
Total Revenues	<u>\$ 25,249,091.53</u>	<u>\$ 4,462,344.70</u>
Expenditures		
Instruction	\$ 17,517,772.35	\$ 3,036,600.34
Support Services:		
Student	467,803.98	-
Instruction Staff	880,740.01	824,847.22
District Administration	857,859.10	4,250.00
School Administrative	1,590,110.16	-
Business	272,875.95	78,097.39
Plant Operation & Maintenance	2,512,953.11	-
Student Transportation	1,772,625.70	325,990.86
Central Office	-	-
Facilities Acquisition & Maintenance	-	-
Food Service Operation	-	11,496.09
Community Service Activities	-	219,140.16
Adult Education Operations	-	7,481.64
Debt Service	-	-
Total Expenditures	<u>\$ 25,872,740.36</u>	<u>\$ 4,507,903.70</u>
Excess (Deficit) Of Revenues Over Expenditures	\$ (623,648.83)	\$ (45,559.00)
Other Financing Sources (Uses)		
Proceeds From Sale Of Bonds	\$ -	\$ -
Proceeds From Sale Of Fixed Assets	105,050.00	-
Operating Transfers In	-	45,559.00
Operating Transfers Out	(45,559.00)	-
Total Other Financing Sources (Uses)	<u>\$ 59,491.00</u>	<u>\$ 45,559.00</u>
Excess (Deficit) Of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (564,157.83)	\$ 0.00
Fund Balance, July 1, 2007	<u>3,826,272.85</u>	<u>-</u>
Fund Balance, June 30, 2008	<u><u>\$ 3,262,115.02</u></u>	<u><u>\$ 0.00</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,185,134.00	\$ 7,075,674.06
-	-	681,300.90
-	-	1,127,054.94
-	-	17,566.42
351,779.40	-	692,909.80
-	44,363.06	243,500.51
-	-	-
-	1,126,058.00	21,660,305.77
-	-	1,896,554.46
-	-	23,903.83
<u>\$ 351,779.40</u>	<u>\$ 3,355,555.06</u>	<u>\$ 33,418,770.69</u>
 \$ -	 \$ -	 \$ 20,554,372.69
-	-	467,803.98
-	-	1,705,587.23
-	-	862,109.10
-	-	1,590,110.16
-	80,253.87	431,227.21
-	-	2,512,953.11
-	-	2,098,616.56
-	-	-
7,556,157.57	-	7,556,157.57
-	-	11,496.09
-	-	219,140.16
-	-	-
-	2,981,568.92	2,981,568.92
<u>\$ 7,556,157.57</u>	<u>\$ 3,061,822.79</u>	<u>\$ 40,991,142.78</u>
 \$ (7,204,378.17)	 \$ 293,732.27	 \$ (7,572,372.09)
 \$ -	 \$ -	 \$ -
-	-	105,050.00
-	-	45,559.00
-	-	(45,559.00)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,050.00</u>
 \$ (7,204,378.17)	 \$ 293,732.27	 \$ (7,474,803.73)
<u>9,444,612.37</u>	<u>(107,454.63)</u>	<u>13,163,430.59</u>
<u><u>\$ 2,240,234.20</u></u>	<u><u>\$ 186,277.64</u></u>	<u><u>\$ 5,688,626.86</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in total fund balances per fund financial statements	\$ (7,474,803.73)
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	7,211,074.66
Bond proceeds are reported as revenues in this fund statement because it creates current financial resources, but they are separated and shown as long-term debt on the statement of net assets.	-
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long term debt on the statement of net assets and interest expense on the statement of activities. The difference is the amount of principal payment made for the year.	1,146,905.92
Participation from government agencies that aid the District debt are not reported in this fund financial statement because there is no receipt of actual financial resources concerning this aid. The amount received is shown on the statement of activities.	908,425.00
	<hr/>
Change in net assets of governmental activities.	<u><u>\$ 1,791,601.85</u></u>

See Independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

Assets	Food Service Fund	Other Enterprise Funds	Total
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 223,340.41	\$ 55,338.80	\$ 278,679.21
Inventory	41,267.12	-	41,267.12
Accounts Receivable	-	8,034.55	8,034.55
Due From Other Funds	-	-	-
Investments	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 264,607.53	\$ 63,373.35	\$ 327,980.88
<u>Noncurrent Assets</u>			
Capital Assets	\$ 761,770.00	\$ 10,204.00	\$ 771,974.00
Accumulated Depreciation	(636,440.67)	(10,204.00)	(646,644.67)
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	\$ 125,329.33	\$ -	\$ 125,329.33
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 389,936.86</u>	<u>\$ 63,373.35</u>	<u>\$ 453,310.21</u>
<u>Liabilities & Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 5,426.82	\$ 619.80	\$ 6,046.62
Accrued Payroll & Related Expenses	-	-	-
Due To Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	\$ 5,426.82	\$ 619.80	\$ 6,046.62
<u>Net Assets</u>			
Invested In Capital Assets, Net Of Related Debt	\$ 125,329.33	\$ -	\$ 125,329.33
Unrestricted	259,180.71	62,753.55	321,934.26
	<hr/>	<hr/>	<hr/>
Total Net Assets	<u>\$ 384,510.04</u>	<u>\$ 62,753.55</u>	<u>\$ 447,263.59</u>

See Independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Food Service Fund	Other Enterprise Fund	Total
Operating Revenues:			
Lunchroom Sales	\$ 794,957.39	\$ -	\$ 794,957.39
Other Operating Revenues	<u>-</u>	<u>470,096.94</u>	<u>470,096.94</u>
Total Operating Revenues	\$ 794,957.39	\$ 470,096.94	\$ 1,265,054.33
Operating Expenses:			
Salaries & Wages	\$ 651,553.01	\$ 442,558.60	\$ 1,094,111.61
Materials & Supplies	772,517.72	66,638.40	839,156.12
Depreciation	25,248.74	-	25,248.74
Other Operating Expenses	<u>82,040.70</u>	<u>4,630.52</u>	<u>86,671.22</u>
Total Operating Expenses	<u>\$ 1,531,360.17</u>	<u>\$ 513,827.52</u>	<u>\$ 2,045,187.69</u>
Income (Loss) From Operations	\$ (736,402.78)	\$ (43,730.58)	\$ (780,133.36)
Non-Operating Revenues (Expenses)			
Federal Grants	\$ 613,231.00	\$ -	\$ 613,231.00
State Grants	87,509.41	-	87,509.41
Interest Income	<u>10,374.06</u>	<u>-</u>	<u>10,374.06</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 711,114.47</u>	<u>\$ -</u>	<u>\$ 711,114.47</u>
Net Income (Loss)	\$ (25,288.31)	\$ (43,730.58)	\$ (69,018.89)
Retained Earnings, July 1, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Retained Earnings, June 30, 2008	<u><u>\$ (25,288.31)</u></u>	<u><u>\$ (43,730.58)</u></u>	<u><u>\$ (69,018.89)</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Cash Flows From Operating Activities

Cash received from:	
Lunchroom Sales	\$ 794,957.39
Government Grants	700,740.41
Other Activities	533,734.27
Cash Paid To / For:	
Employees	\$ (1,094,111.61)
Supplies	(836,489.30)
Other Activities	<u>(86,671.22)</u>
Net Cash Provided By Operating Activities	\$ 12,159.94

Cash Flows From Capital & Relate Financing Activities

Purchases Of Capital Assets	-
-----------------------------	---

Cash Flows From Investing Activities

Receipt Of Interest Income	<u>10,374.06</u>
----------------------------	------------------

Net Increase In Cash & Cash Equivalents	\$ 22,534.00
--	---------------------

Balances, Beginning Of Year	<u>256,145.21</u>
------------------------------------	-------------------

Balances, End Of Year	<u><u>\$ 278,679.21</u></u>
------------------------------	-----------------------------

Reconciliation Of Operating Income (Loss) To Net Cash

Provided (Used) By Operating Activities	
Operating Income	\$ (69,018.89)

Adjustments to reconcile operating income to net cash provided
(used) by operating activities

Depreciation	25,248.74
Interest	(10,374.06)
Change In Assets & Liabilities	
Receivables	74,708.45
Inventory	(11,071.12)
Accounts Payable	2,666.82
Accrued Expenses	<u>0.00</u>

Net Cash Provided By Operating Activities	<u><u>\$ 12,159.94</u></u>
---	----------------------------

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash & Cash Equivalents	\$ -	\$ 333,650.02
Due From Other Funds	-	-
	<hr/>	<hr/>
Total Assets	\$ -	\$ 333,650.02
Liabilities		
Accounts Payable	\$ -	\$ -
Due To Student Groups	-	333,650.02
	<hr/>	<hr/>
Total Liabilities	\$ -	\$ 333,650.02
	<hr/>	<hr/>
Net Assets Held In Trust	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust Funds
Additions	
Net Interest	\$ -
Deductions	
Benefits paid	<u>\$ -</u>
Change In Net Assets	\$ -
Net Assets, Beginning Of Year	<u>\$ -</u>
Net Assets, End Of Year	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Anderson County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Anderson County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Anderson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Anderson County Board of Education Finance Corporation – In a prior year the Board of Education resolved to authorize the establishment of the Anderson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements –are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities accompanied by a total column.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well long-term liabilities are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 39. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. This is a nonmajor fund of the District
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a nonmajor fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

A. The Food Service and Summer Feeding Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA.

B. The Day Care Fund is used to account for day care revenues.

C. The Pre School Fund is used to account for pre school revenues.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting - continued

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$.541 per \$100 valuation for real property, \$.547 per \$100 valuation for business personal property and \$.513 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the district, of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of technology purchases for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Budgetary amendments are made during the year to reflect new revenue sources and the receipt of the District's growth calculation.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

GASB 31 requires investments to be carried at fair value with unrealized changes being recorded in the statements of revenues, expenditures and changes in fund balance. The District invests in Fixed Income Government Issues, whose cost approximates fair value.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools, fees charged for Day Care Services, and fees charges for Preschool Services.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2– ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$10.2. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank balances are covered by Federal Depository Insurance up to \$100,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Breakdown per financial statements:

Governmental funds	\$ 5,647,096.50
Proprietary funds	<u>278,679.21</u>
	\$ <u>5,925,775.71</u>

In addition to the cash and cash equivalents listed above, the district has agency funds that are not included in the governmental funds or the proprietary fund balances. The agency funds (school activity funds) at year end were \$333,650.02.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the next page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS - CONTINUED

Year		Total Requirement	Anderson County School District		Kentucky School Construction Commission	
			Principal	Interest	Principal	Interest
2008	2009	3,623,741	1,319,652	1,387,755	530,348	385,985
2009	2010	3,600,878	1,371,912	1,349,248	513,088	366,629
2010	2011	3,600,943	1,403,787	1,303,842	546,213	347,101
2011	2012	3,521,329	1,454,061	1,255,327	485,939	326,002
2012	2013	3,494,392	1,509,293	1,203,299	475,707	306,094
2013	2014	3,499,814	1,558,572	1,147,195	506,428	287,619
2014	2015	3,476,171	1,624,175	1,087,860	495,825	268,311
2015	2016	3,417,983	1,737,681	1,018,195	412,319	249,788
2016	2017	3,415,403	1,830,178	937,274	414,822	233,129
2017	2018	3,416,924	1,907,059	850,643	442,941	216,281
2018	2019	3,388,273	2,003,016	759,450	426,984	198,823
2019	2020	3,286,601	2,098,144	663,093	341,856	183,508
2020	2021	3,276,799	2,199,899	561,836	345,101	169,963
2021	2022	3,282,557	1,968,453	490,867	666,547	156,690
2022	2023	3,283,895	2,045,045	412,680	694,955	131,215
2023	2024	3,285,763	2,126,255	331,112	723,745	104,652
2024	2025	3,247,637	2,218,221	245,705	706,779	76,933
2025	2026	3,222,058	2,303,426	156,959	711,574	50,098
2026	2027	<u>3,135,693</u>	<u>2,395,824</u>	<u>87,448</u>	<u>629,176</u>	<u>23,245</u>
Totals		<u>\$64,476,847</u>	<u>\$35,074,653</u>	<u>\$ 15,249,787</u>	<u>\$10,070,347</u>	<u>\$ 4,082,064</u>

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 5 – RETIREMENT PLANS

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by and operating under Kentucky law.

The KTRS covers all certified full-time employees of each school board. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the KTRS, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 9.855% of creditable compensation. Matching contributions are made by the state. The federal program for any salaries paid by that program pays the matching contributions. The District contributed 13.105% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2008. The Board of Trustees of the Kentucky Retirement Systems determines the contribution rates.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2008 comprehensive annual financial report which is available from Kentucky Retirement Systems. A copy may be obtained from the Legislative Research Library in Frankfort, Kentucky

Three-year Trend Information

Fiscal Year Ended	Annual Amount Withheld from Employees	Annual Amount Contributed by the District	Total Amount Contributed
6/30/2006	1,227,434.00	101,654.00	1,329,088.00
6/30/2007	1,407,647.00	120,473.00	1,528,120.00
6/30/2008	1,461,497.00	124,673.00	1,586,170.00

County Employees Retirement System

Employees who work on average of 80 hours per month over their contract participate in the County Employees Retirement System (CERS), which is a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky law.

The CERS covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability, and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the CERS, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601-6124.

Participating employees contribute 5.00% of creditable compensation. The District contributed 16.17% of creditable compensation during the fiscal year ended June 30, 2008. The Board of Trustees of the Kentucky Retirement Systems determines the contribution rates.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2008 comprehensive annual financial report which is available from Kentucky Retirement Systems. A copy may be obtained from the Legislative Research Library in Frankfort, Kentucky.

Three-year Trend Information

Fiscal Year Ended	Annual Amount Withheld from Employees	Annual Amount Contributed by the District	Total Amount Contributed
6/30/2006	163,984.00	360,104.00	524,088.00
6/30/2007	189,767.00	500,604.00	690,371.00
6/30/2008	197,628.00	577,867.00	775,495.00

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	2,569,367.00	-	-	2,569,367.00
Construction in progress	10,164,719.42	3,893,727.48	-	14,058,446.90
Total capital assets not being depreciated	12,734,086.42	3,893,727.48	-	16,627,813.90
Capital assets being depreciated				
Buildings and Building Improvements	40,921,593.14	3,257,006.06	-	44,178,599.20
Land Improvements	1,446,704.00	-	-	1,446,704.00
Machinery and equipment	7,524,507.86	720,071.96	-	8,244,579.82
Total assets being depreciated	49,892,805.00	3,977,078.02	-	53,869,883.02
Less accumulated depreciation for				
Buildings and Building Improvements	7,391,716.81	543,158.59	-	7,934,875.40
Land Improvements	874,853.88	70,954.22	-	945,808.10
Machinery and equipment	6,339,907.73	451,042.03	-	6,790,949.76
Total accumulated depreciation	14,606,478.42	1,065,154.84	-	15,671,633.26
Total capital assets being depreciated, net	35,286,326.58	2,911,923.18	-	38,198,249.76
Governmental Activities Capital Assets, Net	\$48,020,413.00	6,805,650.66	-	54,826,063.66
Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Machinery and equipment	771,974.00	-	-	771,974.00
Total assets being depreciated	771,974.00	-	-	771,974.00
Less accumulated depreciation for				
Machinery and equipment	621,395.93	25,248.74	-	646,644.67
Total accumulated depreciation	621,395.93	25,248.74	-	646,644.67
Total capital assets being depreciated, net	150,578.07	25,248.74	-	125,329.33
Business-type Activities Capital Assets, Net	\$150,578.07	25,248.74	-	125,329.33

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 7 – COMMITMENTS

Leases

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment that have initial non-cancelable lease terms in excess of one year as of June 30, 2008:

Year Ending June 30,	
2009	\$80,341.36
2010	\$81,271.00
Total minimum payments	\$161,612.36

NOTE 8 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District provider is Summit-Bridgeville. The District pays an annual premium for coverage based on premium rates established by the insurance carrier, subject to claims experience and modifications.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 11 - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. There are also no funds having operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

NOTE 12 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 13 - LITIGATION

The District's lawyer has advised us that at the present time there are legal proceedings and claims that have risen in the ordinary course of its business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these matters and the proceedings, it is the opinion of the school district's management based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the results of operations and financial condition of the Anderson County School District.

NOTE 14 – SUBSEQUENT EVENTS

On October 3, 2008, Congress temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2009

Supplementary Information

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes			
Property	\$ 4,900,000.00	\$ 4,890,540.06	\$ (9,459.94)
Motor Vehicle	710,000.00	681,300.90	(28,699.10)
Utilities	995,000.00	1,127,054.94	132,054.94
Tuition And Fees	-	-	-
Earnings On Investments	400,000.00	341,130.40	(58,869.60)
Other Local Revenues	80,000.00	103,729.41	23,729.41
Intergovernmental - Intermediate	-	-	-
Intergovernmental - State	13,892,497.00	18,105,335.82	4,212,838.82
Intergovernmental - Indirect Federal	-	-	-
Intergovernmental - Direct Federal	-	-	-
Total Revenues	<u>\$ 20,977,497.00</u>	<u>\$ 25,249,091.53</u>	<u>\$ 4,271,594.53</u>
Expenditures			
Instruction	\$ 13,441,908.31	\$ 17,517,772.35	\$ (4,075,864.04)
Support Services:			
Student	473,081.59	467,803.98	5,277.61
Instruction Staff	740,297.93	880,740.01	(140,442.08)
District Administration	833,655.05	857,859.10	(24,204.05)
School Administrative	1,369,390.58	1,590,110.16	(220,719.58)
Business	280,349.58	272,875.95	7,473.63
Plant Operation & Maintenance	2,516,899.12	2,512,953.11	3,946.01
Student Transportation	1,757,521.92	1,772,625.70	(15,103.78)
Central Office	-	-	-
Contingency	3,280,665.92	-	3,280,665.92
Site Improvement	-	-	-
Total Expenditures	<u>\$ 24,693,770.00</u>	<u>\$ 25,872,740.36</u>	<u>\$ (1,178,970.36)</u>
Excess (Deficit) Of Revenues Over Expenditures	<u>\$ (3,716,273.00)</u>	<u>\$ (623,648.83)</u>	<u>\$ 3,092,624.17</u>
Other Financing Sources (Uses)			
Proceeds From Sale Of Bonds	\$ -	\$ -	\$ -
Proceeds From Sale Of Fixed Assets	-	105,050.00	105,050.00
Operating Transfers In	-	-	-
Operating Transfers Out	(60,000.00)	(45,559.00)	14,441.00
Total Other Financing Sources (Uses)	<u>\$ (60,000.00)</u>	<u>\$ 59,491.00</u>	<u>\$ 119,491.00</u>
Excess (Deficit) Of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	<u>\$ (3,776,273.00)</u>	<u>\$ (564,157.83)</u>	<u>\$ 3,212,115.17</u>
Fund Balance, July 1, 2007	<u>3,776,273.00</u>	<u>3,826,272.85</u>	<u>49,999.85</u>
Fund Balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ 3,262,115.02</u></u>	<u><u>\$ 3,262,115.02</u></u>

See independent auditor's report and accompanying notes to financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

	<u>CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
<u>U.S. Department Of Education</u>			
Passed through the Kentucky Department of Education			
Title I, fiscal year 2006-2007	84.010	351-07	\$ 120,073
Title I, fiscal year 2007-2008	84.010	351-08	274,876
			<u>394,949</u>
Title V Innovative 2006-2007			5,980
Title V Innovative 2007-2008			5,980
			<u>11,960</u>
IDEA - Basic, fiscal year 2006-2007	84.027	581-07	499,688
IDEA - Basic, fiscal year 2007-2008	84.027	581-08	302,228
			<u>801,917</u>
IDEA - Preschool, fiscal year 2006-2007	84.173	587-07	38,852
IDEA - Preschool, fiscal year 2007-2008	84.173	587-08	108,128
			<u>146,980</u>
Vocational Education, fiscal year 2006-2007	84.048	462-07	1,997
Vocational Education, fiscal year 2007-2008	84.048	462-08	23,766
			<u>25,763</u>
Development Funds			3,175
			<u>3,175</u>
Ed Tech Basic 2006			1,982
Ed Tech Basic 2007			3,380
			<u>5,361</u>
Hurricane Relief			9,250
			<u>9,250</u>
Teacher Quality Title II, fiscal year 2005-2006	84.367	710-06	360
Teacher Quality Title II, fiscal year 2006-2007	84.367	710-07	75,036
Teacher Quality Title II, fiscal year 2007-2008	84.367	710-08	101,777
			<u>177,173</u>
Safe & Drug Free Schools, fiscal year 2007-2008	84.186	590-08	12,664
			<u>12,664</u>
Total U.S. Department Of Education			\$ 1,589,192
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education			
National School Lunch Program, fiscal year 2006-2007	10.555	575-07	\$ 537,398
National School Breakfast, fiscal year 2006-2007	10.553	576-07	130,005
National Summer Meal Program, fiscal year 2005-2006	10.559	574-06	28,571
			<u>695,974</u>
Total U.S. Department of Agriculture			\$ 695,974
Total Expenditures of Federal Awards			\$ 2,285,166

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anderson County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Total value of commodities received by the food service operation for the year ended June 30, 2008 was \$103,200.

**ANDERSON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET FOR OTHER GOVERNAMENT FUNDS
AS OF JUNE 30, 2008**

	Capital Outlay Fund	Building Fund	Trust Agency Fund	Totals
Assets & Resources:				
Cash & Cash Equivalents	\$ (241,482.07)	\$ 463,569.49	\$ (31,767.74)	\$ 190,319.68
Accounts Receivable	-	-	3,704.00	3,704.00
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets & Resources	<u>\$ (241,482.07)</u>	<u>\$ 463,569.49</u>	<u>\$ (28,063.74)</u>	<u>\$ 190,319.68</u>
Liabilities & Fund Balances:				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 7,746.04	\$ 7,746.04
Deferred Revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ -	\$ -	\$ 7,746.04	\$ 7,746.04
Fund Balances:				
Reserved:				
Reseved For Future Use				
Capital Projects Funds	<u>\$ (241,482.07)</u>	<u>\$ 463,569.49</u>	<u>\$ (35,809.78)</u>	<u>\$ 186,277.64</u>
Total Fund Balances	<u>\$ (241,482.07)</u>	<u>\$ 463,569.49</u>	<u>\$ (35,809.78)</u>	<u>\$ 186,277.64</u>
Total Liabilities & Fund Balances	<u>\$ (241,482.07)</u>	<u>\$ 463,569.49</u>	<u>\$ (28,063.74)</u>	<u>\$ 194,023.68</u>

**ANDERSON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - OTHER GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Capital Outlay Fund	Building Fund	Trust Agency Fund	Totals
Revenues:				
From local sources				
Taxes				
Property	\$ -	\$ 2,185,134.00	\$ -	\$ 2,185,134.00
Motor Vehicle	-	-	-	-
Utilities	-	-	-	-
Tuition And Fees	-	-	-	-
Earnings On Investments	-	-	-	-
Other Local Revenues	-	-	44,363.06	44,363.06
Intergovernmental - Intermediate	-	-	-	-
Intergovernmental - State	350,450.00	775,608.00	-	1,126,058.00
Intergovernmental - Indirect Federal	-	-	-	-
Intergovernmental - Direct Federal	-	-	-	-
Total Revenues	<u>\$ 350,450.00</u>	<u>\$ 2,960,742.00</u>	<u>\$ 44,363.06</u>	<u>\$ 3,355,555.06</u>
Expenditures	-	-	-	-
Instruction	-	-	-	-
Support Services:				
Student	-	-	-	-
Instruction Staff	-	-	-	-
District Administration	-	-	-	-
School Administrative	-	-	-	-
Business	-	-	80,253.87	80,253.87
Plant Operation & Maintenance	-	-	-	-
Student Transportation	-	-	-	-
Central Office	-	-	-	-
Facilities Acquisition & Maintenance	-	-	-	-
Community Service Activities	-	-	-	-
Debt Service	591,932.07	2,389,636.85	-	2,981,568.92
Total Expenditures	<u>\$ 591,932.07</u>	<u>\$ 2,389,636.85</u>	<u>\$ 80,253.87</u>	<u>\$ 3,061,822.79</u>
Excess (Deficit) Of Revenues Over Expenditures	<u>\$ (241,482.07)</u>	<u>\$ 571,105.15</u>	<u>\$ (35,890.81)</u>	<u>\$ 293,732.27</u>
Other Financing Sources (Uses)				
Operating Transfers In	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficit) Of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	<u>\$ (241,482.07)</u>	<u>\$ 571,105.15</u>	<u>\$ (35,890.81)</u>	<u>\$ 293,732.27</u>
Fund Balance, July 1, 2007	<u>\$ -</u>	<u>\$ (107,535.66)</u>	<u>\$ 81.03</u>	<u>\$ (107,454.63)</u>
Fund Balance, June 30, 2008	<u><u>\$ (241,482.07)</u></u>	<u><u>\$ 463,569.49</u></u>	<u><u>\$ (35,809.78)</u></u>	<u><u>\$ 186,277.64</u></u>

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCE
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Cash Balance July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2008</u>
Early Childhood Center	\$ 13,022.98	\$ 34,219.97	\$ 38,322.28	\$ 8,920.67
Emma B. Ward Elementary	13,277.60	85,651.67	82,695.57	16,233.70
Robert B. Turner Elementary	14,099.67	56,097.02	56,501.62	13,695.07
Saffell Street Elementary	15,065.14	63,038.88	62,137.02	15,967.00
Anderson Middle School	123,215.18	211,335.85	225,541.48	109,009.55
Anderson County High School	128,275.14	744,985.09	703,436.20	169,824.03
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 306,955.71	\$ 1,195,328.48	\$ 1,168,634.17	\$ 333,650.02

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Cash Balance July 1, 2007	Receipts	Disbursements	Transfers	Cash Balance June 30, 2008
000100 General	\$ 7,018.49	\$ 142,395.77	\$ 138,640.46	\$ (1,415.90)	\$ 9,357.90
000105 Building Rental	855.41	-	-	-	855.41
000110 Operations	-	5,000.00	-	-	5,000.00
000115 Parking	-	145.00	414.13	1,300.00	1,030.87
000125 Gym Floor	560.00	-	-	-	560.00
000130 Contingency Fund	108.58	5,000.00	-	-	5,108.58
000135 Science Dept	111.46	906.00	1,016.97	-	0.49
000140 Soc St Dept	1,174.14	586.00	487.75	-	1,272.39
000145 English Dept	69.11	13.00	-	-	82.11
000150 Math Dept	542.57	266.00	-	-	808.57
000155 Arts & Hum Dept	1,330.95	59.00	-	-	1,389.95
000160 Special Ed Dept	35.00	-	-	-	35.00
000165 Voc Ed Dept	-	-	-	-	-
000170 Technology Dept	100.63	-	-	-	100.63
000175 Graphic Design	151.23	1,353.00	1,477.67	147.40	173.96
000176 Computer Graphics	76.51	-	15.71	-	60.80
000177 Art Class	346.81	-	94.90	-	251.91
000178 Bragg/Class Activities	-	260.00	260.00	-	-
000179 Journalism-PAW Prints	443.36	1,415.75	1,803.74	159.00	214.37
000180 Boham/Sports	73.15	215.00	162.54	-	125.61
000181 Nolan's Asian Studies	59.15	-	-	-	59.15
000182 Young Engineers	25.00	-	-	-	25.00
000183 Mud Club / Ceramics	-	480.00	-	-	480.00
000184 Art II	-	140.00	-	-	140.00
000185 Sign Language	-	290.00	87.00	-	203.00
000200 Football	1,166.08	58,121.00	57,031.70	1,079.24	3,334.62
000201 Weightlifting	69.96	-	668.00	700.00	101.96
000205 All Sports	2,688.49	37,187.50	15,984.91	(21,967.79)	1,923.29
000210 Boys Basketball	4,590.55	30,111.98	22,978.09	(856.81)	10,867.63
000220 Girls Basketball	502.83	10,401.89	11,304.72	500.00	100.00
000221 G Basketball travel	2,230.15	42,202.64	44,311.18	418.39	540.00
000231 Softball	3,764.29	27,369.16	32,322.17	3,642.76	2,454.04
000232 Volleyball	175.25	4,583.75	4,890.35	700.00	568.65
000233 Tennis-Boys	123.42	3,167.13	2,557.79	600.00	1,332.76
000234 Track	487.10	18,506.70	17,768.10	2,000.00	3,225.70
000235 Cross Country	505.96	1,806.50	2,645.04	800.00	467.42
000236 Tennis-Girls	177.11	1,125.00	948.87	700.00	1,053.24
000237 Swim Team	-	2,434.79	1,665.04	750.00	1,519.75
000238 Archery	-	500.00	1,935.64	2,000.00	564.36
000240 Golf-Boys	1,276.91	8,108.00	7,440.43	(550.00)	1,394.48
000241 Golf-Girls	-	1,200.00	1,712.75	2,050.00	1,537.25
000245 Wrestling	206.25	2,379.52	3,549.58	1,000.00	36.19
000250 Soccer-Boys	3,037.22	9,714.12	7,353.21	950.00	6,348.13
000251 Soccer-Girls	441.54	11,142.20	11,428.55	1,442.01	1,597.20
000260 Baseball	2,490.03	25,805.55	23,398.37	2,801.09	7,698.30
000265 Blue Cheer	2,551.45	9,470.00	11,262.17	570.00	1,329.28
000270 Red Cheer	1,397.59	-	-	-	1,397.59
000276 Dance Team	995.76	12,812.40	12,265.67	500.00	2,042.49
000300 FCCLA	2,240.53	20,057.32	19,319.99	(84.00)	2,893.86
000301 STLP	268.08	187.45	188.55	-	266.98
000302 TSA	140.00	215.00	148.23	-	206.77
000305 Beta Club	262.29	316.00	358.00	-	220.29

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Cash Balance July 1, 2007	Receipts	Disbursements	Transfers	Cash Balance June 30, 2008
000306 NHS	351.03	867.50	687.64	-	530.89
000310 SAE	23.50	-	-	(3.70)	19.80
000315 FFA	3,225.06	23,187.10	20,329.82	-	6,082.34
000320 Drama/Act Cats	2,698.12	10,148.47	5,709.52	(10.00)	7,127.07
000325 Co-Ed-Y	-	1,917.00	1,920.70	3.70	(0.00)
000340 SADD	1,122.81	-	-	(120.00)	1,002.81
000345 Academic Team	383.15	-	-	-	383.15
000350 Spanish Club	0.60	-	-	-	0.60
000355 Spanish Honor Society	64.93	1,620.00	1,404.39	-	280.54
000370 FCA	3,060.78	658.00	95.13	(54.00)	3,569.65
000375 Student Council	578.30	-	-	-	578.30
000380 French Club	875.05	6,147.88	6,461.28	-	561.65
000381 French Honor Society	303.71	228.00	228.50	-	303.21
000382 International Club	280.41	-	-	(25.68)	254.73
000383 PEP Club	252.84	-	-	-	252.84
000386 AYCC	61.64	-	-	-	61.64
000387 FEA	230.08	-	-	-	230.08
000388 TIP	831.78	1,364.64	1,380.10	-	816.32
000390 CPS	1,476.76	2,748.60	3,299.98	272.00	1,197.38
000391 Chess Club	0.61	-	-	-	0.61
000392 Speech & Debate	673.79	-	175.00	-	498.79
000393 Japanese Club	0.23	-	-	-	0.23
000395 Green Club	-	41.00	-	-	41.00
000400 Homecoming	-	50.00	732.91	682.91	-
000412 Class of 2007	2,088.99	-	-	(2,088.99)	-
000413 Class of 2008	200.00	174.00	973.61	1,284.61	685.00
000414 Class of 2009	-	15,295.00	14,623.52	120.00	791.48
000415 Class of 2010	-	190.53	-	-	190.53
000418 SR Class Contingency	83.61	-	355.50	271.89	-
000419 Class of 2004	28.08	-	-	(28.08)	-
000425 Band	334.01	20,575.76	17,897.90	(1,826.63)	1,185.24
000430 Chorus	323.40	5,376.55	7,252.20	1,836.63	284.38
000435 Home EC Stevens	389.24	984.95	932.77	-	441.42
000436 Home EC Coleman	512.25	690.00	850.29	-	351.96
000440 Home EC Dyer	149.29	254.00	226.26	-	177.03
000445 Horticulture	172.38	-	-	-	172.38
000450 Unite To Read	-	725.00	634.22	-	90.78
000500 Senior Class trip	392.16	70,762.65	70,375.43	(191.14)	588.24
000505 Adm PAWS	8,068.01	-	599.82	77.00	7,545.19
000510 Junior DC trip	1,122.20	28,705.75	29,381.83	-	446.12
000550 Travel/Airlines	-	-	-	-	-
000600 Annual	33,244.02	27,582.50	32,430.72	310.10	28,705.90
000610 Magazines	4,916.64	6,035.00	5,754.01	-	5,197.63
000620 Guidance	128.70	2,380.00	1,290.16	-	1,218.54
000630 Library	2,045.58	2,273.70	1,804.71	16.00	2,530.57
000640 Textbooks	714.60	111.95	52.90	-	773.65
000650 Cokes	858.48	5,624.16	2,945.20	(842.35)	2,695.09
000651 Cokes-TL	938.58	1,130.79	775.48	377.66	1,671.55

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Cash Balance July 1, 2007	Receipts	Disbursements	Transfers	Cash Balance June 30, 2008
000652 Staff Team	1,469.57	3,082.96	2,893.97	54.00	1,712.56
000660 AP Courses	-	-	-	-	-
000670 Copiers	1,238.04	-	-	-	1,238.04
000700 Bearcats	5,732.53	1,600.00	3,870.04	-	3,462.49
000710 Gum/vending	150.81	193.43	-	-	344.24
000750 Communications	253.61	-	279.29	25.68	-
000800 Scratching Post	-	725.00	556.00	(77.00)	92.00
000850 Extended Learning	-	-	-	-	-
000900 Collection From	1,354.79	1,008.10	467.80	(814.63)	1,080.46
001000 CAT Fund	-	3,075.00	3,889.63	814.63	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	128,275.14	744,985.09	703,436.20	(0.00)	169,824.03
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - PO Box 70 - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component unit and remaining fund information of the Anderson County School District, as of and for the year ended June 30, 2008, which collectively comprise the Anderson County School District's basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organization, Appendix I to the Independent Auditor's Contract-General Audit Requirement, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anderson County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Anderson County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Anderson County School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Reference numbers 2008-1-2008-10.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Anderson County School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anderson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Anderson County School District, in a separate letter dated November 12, 2008.

Anderson County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company CPA's

Bardstown, Kentucky
November 12, 2008

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___X___no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___X___yes _____none reported

Noncompliance material to financial statements noted? _____yes ___X___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes ___X___no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes ___X___none reported

Type of auditor's report issued on compliance for major programs (unqualified): unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes ___X___no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.186	Drug Free Schools
84.10	Title I
84.367	Title II

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___X___yes _____no

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditor's Results- Continued

Significant Deficiencies

Internal Control – District Office

2008-1

Fixed Assets has a control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data reliably in accordance with GAAP. Fixed assets physical inventory are not adequately reconciled with the fixed asset records maintained in the Munis financial system.

Anderson County School District Response- Policies and procedures will be implemented in the current fiscal year that will ensure that all fixed assets are recorded, inventoried, and reported in accordance with GASB 34 requirements.

2008-2

During our inspection we found that purchase order approvals by superintendent or the District Board when required were not consistently attached to the purchase orders prior to payment. This was caused by email approvals from the superintendent or the board minutes that approved the purchase order were not always forwarded to the accounts payable clerk in a timely manner from the individual requesting the purchase order.

Anderson County School District Response- The Finance Officer is aware of the situation; the accounts payable clerk brought this to his attention immediately after the finance officer was hired. The district is now attaching all approval documentation to purchase orders prior to payment.

2008-3

During our inspection we found several purchase orders that the total did not match the total on the invoice attached. If the difference of the invoice and the purchase order amounts are greater than the difference in shipping cost the purchase order and invoice should be researched to see what caused the difference.

Anderson County School District Response – The District will have training for all personnel that process purchase orders. If the district is made aware of any purchase orders that do not match the invoice the individual that requested the purchase order will be notified to research the difference prior to payment being made.

2008-4

During our inspection we found a travel voucher dated September 2007 that was reimbursed to an employee without the signature of the employee or the signature of the supervisor. This occurred when the transaction was submitted to accounts payable and the accounts payable clerk was instructed to pay the transaction per the finance officer.

Anderson County School District Response – As of July 1, 2008 transactions have proper authorization and signatures before the payment will be processed.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

2008-5

During our inspection we found several purchase orders that requested gift cards to be purchased from various vendors. The purchase orders did not specify on all occasions what the gift cards would be used for. One purchase order stated that the gift card purchased from Wal-mart would be used to purchase classroom supplies. We recommend that gift cards are not used for classroom supplies. Transactions that are used within the school district need to be accounted for with detail receipts and by using gift cards this does not allow for the internal controls to work properly. If gift cards must be purchased the purchase order should include a detailed description for why the gift card is necessary and what the gift card will be used for.

Anderson County School District Response – The school district will review their policy and procedures regarding gift cards and update the policies and procedures as necessary.

Internal Control – Activity Funds

2008-6

During our inspection we found that some of the Multiple Receipt Forms at Anderson County Early Childhood Center, Anderson County Middle School, and Anderson County High School that we inspected contained only one signature. All Multiple receipt forms are to be signed and dated by both the person / teacher remitting the money and the Activity Fund Treasurer. We recommend that the district require the Multiple Receipt Form to contain two unique signatures before depositing the money collected.

Anderson County School District Response- The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training the Finance Officer will conduct random inspections of the school activity funds throughout the year.

2008-7

During our inspection at Robert B. Turner Elementary, we found that some of the expenditures that we inspected did not have adequate documentation to support the expenditures. All expenditures should have adequate documentation prior to processing the transaction. We recommend that the district require annual Redbook training.

Anderson County School District Response- The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training the Finance Officer will conduct random inspections of the school activity funds throughout the year.

2008-8

During our inspection we found that some of the checks that were issued at Anderson County High School and Anderson Early Childhood Center contained only one signature. We recommend that all checks should have two unique signatures.

Anderson County School District Response- The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training the Finance Officer will conduct random inspections of the school activity funds throughout the year.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

2008-9

During our inspection at Anderson Early Childhood Center we found several purchase orders that contained no signature authorizing the expenditure. We recommend that all purchase orders have proper unique signature authorizing the signature prior to the expenditure being processed.

Anderson County School District Response- The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training the Finance Officer will conduct random inspections of the school activity funds throughout the year.

2008-10

During our inspection at Anderson County Middle School we found numerous ticket report forms that contained signatures of individuals in charge of sales that appear to be the handwriting of the treasurer. Two unique signatures are required on all ticket report forms one of the individual that is in charge of the sales and the signature of the treasurer. We recommend that all ticket report forms contain two unique signatures.

Anderson County School District Response- The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training the Finance Officer will conduct random inspections of the school activity funds throughout the year.

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008**

Section IV – Prior Year Audit Findings

Internal Control – District Office

Prior year comment – Fixed assets has a control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data reliably in accordance with GAAP. Fixed assets physical inventory records are not adequately reconciled with the fixed asset records maintained in the Munis financial system

Current year follow-up – Instances were noted during the current year.

Prior year comment – During our inspection we found that bank statements at Anderson County High School showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling, and a majority of the Multiple Receipt Forms were not signed or dated by the Treasurer or the person remitting the money. We recommend that the district require that the school principal document by signature or initials, that the principal has opened, reviewed and inspected the bank statements before passing the statement on the activity fund treasurer, and that the district require that each Multiple Receipt Form be signed and dated by both the Teacher/person remitting the money and the Treasurer.

Current year follow-up – No instances were noted during the current year.

Prior year comment – During our inspection we found that the bank statements at Anderson County Middle School showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling. Several of the Purchase Request Forms contained only one signature, and most of the Multiple Receipt Forms were not signed or dated by the Treasurer or the person remitting the money. We recommend that the district require that the school principal document by signatures or initials, that the principal has opened, reviewed and inspected the bank statements before passing the statement on the activity fund treasurer. The District should require that each Multiple Receipt Form be signed and dated by both the Teacher/person remitting the money and the Treasurer, and that the purchase request forms contain two signatures before payment is made.

Current year follow-up – No instances were noted during the current year.

Prior year comment – During our inspection we found that the bank statements at Early Childhood showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling. In addition most of the Purchase Request Forms contained only one signature. We recommend that the district require that the school principal document by signature or initials, that the principal has opened, reviewed and inspected the bank statements before passing the statement on the activity fund treasurer. We recommend that the district also require that the Purchase Request Forms contain two signatures before payment is made.

Current year follow-up – No instances were noted during the current year.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
JUNE 30, 2008**

Prior year comment – During our inspection we found that the bank statements at Emma B. Ward showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling, and the majority of the Multiple Receipt Forms were not signed or dated by the Treasurer or the person remitting the money. We recommend that the district require that the school principal document by signature or initials, that the principal has opened, reviewed, and inspected the bank statements before passing the statement on the activity fund treasurer, and that the district require that each Multiple Receipt Form be signed and dated by both the Teacher/person remitting the money and the Treasurer.

Current year follow-up – No Instances were noted during the current year.

Prior year comment – During our inspection we found that the bank statements at Robert B. Turner Elementary showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling, and the majority of the Multiple Receipt Forms were not signed or dated by the Treasurer or the person remitting the money. Many of the purchase request forms did not have adequate documentation to support the expenditure. Some of the monthly reconciliations were not performed correctly or approved by the Principal. We recommend that the district require that the school principal document by signature or initials, that the principal has opened, reviewed and inspected the bank statements before passing the statement on the activity fund treasurer, and that the district require that each Multiple Receipt Form be signed and dated by both the Teacher/person remitting the money and the Treasurer. The District should require adequate documentation to support the purpose of the expenditures, and require that monthly and annual reconciliations be performed and subsequent reports that are generated from these reconciliations are approved.

Current year follow-up – No Instances were noted during the current year.

Prior year comment – During our inspection we found that the bank statements at Saffell Elementary showed no documented evidence that they were opened, reviewed, or inspected by the School Principal before being forwarded to the Activity Fund Treasurer for reconciling and some of the Multiple Receipt Forms were not signed or dated by the Treasurer or the person remitting the money. Some checks and deposits had only one signature. We recommend that the district require that the school principal document by signature or initials, that the principal has opened, reviewed and inspected bank statements before passing the statement on the activity fund treasurer, and that the district require that each Multiple Receipt Form be signed and dated by both the Teacher/person remitting the money and the Treasurer. The district should require that all checks and deposits slips contain two signatures.

Current year follow-up – No Instances were noted during the current year.

Prior year comment – The School District does not have accounting personnel that are adequately trained to prepare the financial statements in the GASB reporting format.

Current year follow-up – Instances were noted during the current year. The district will continue to use the services of a CPA firm to compile the financial statements in the GASB reporting format.

BROWN & COMPANY

**CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS & BUSINESS CONSULTANTS**

442 East Stephen Foster Avenue - PO Box 70 - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

Compliance

We have audited the compliance of Anderson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Anderson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Anderson County School District's management. Our responsibility is to express an opinion on Anderson County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anderson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anderson County School District's compliance with those requirements.

In our opinion, Anderson County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Anderson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Anderson County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anderson County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company CPA's

Bardstown, Kentucky
November 12, 2008

MANAGEMENT LETTER COMMENTS

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - PO Box 70 - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

Members of the Board of Education of
Anderson County School District
Lawrenceburg, Kentucky

In planning and performing our audit of the financial statements of Anderson County School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2008 contains our report on the District's internal control structure. This letter does not affect our report dated November 12, 2008 on the financial statements of the Anderson County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully,

Brown & Company CPA's

Bardstown, Kentucky
November 12, 2008

**ANDERSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
YEAR ENDED JUNE 30, 2008**

CURRENT YEAR COMMENTS

During our inspection we found an individual that is not currently being paid according to the approved salary schedule due to an agreement that was made with this individual and the prior superintendent. We recommend that the district address this issue with their attorney and proceed according to the attorney's recommendation.

Anderson County School District Response: We will discuss this situation with the district's attorney and proceed accordingly to resolve the issue.

During our inspection we found that several employees take family vacations at the same location that the employee is required to attend training at during the summer. Currently the district pays for the employees required travel and family travel and the employee is required to reimburse the district. We recommend that if the district would like to continue scheduling the family vacation as well as the required training time that the employee should pay for their allocated vacation time at the same time the district is required to pay for the required training time.

Anderson County School District Response: The district will advise employees that they will pay for their vacation time at the time the district is required to pay for the required training expenses.

STATUS OF PRIOR YEAR FINDINGS AND POINTS

Prior year comments regarding personnel files were addressed and corrected.